

Message Text

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TAGS: EAGR, EAID, ETRD, KS, US

SUBJECT: VISIT OF KIM JAE-IK: STATUS REPORT ON PL 480,
CCC AND FOOD SUPPLY

1. VISIT OF KIM JAE-IK SEEMS FROM OUR POINT OF VIEW
TO HAVE BEEN HIGHLY USEFUL, AND WE BELIEVE KIM WILL BE ABLE
TO CONVEY TO HIS ROKG COLLEAGUES AN ACCURATE SENSE OF
CURRENT USG THINKING ON PL 480, CCC CREDITS AND ASSURANCES
ON THE SUPPLY OF AGRICULTURAL COMMODITIES OVER THE
LONG-TERM. ON MAY 3, HE MET WITH USDA AND STATE OFFICIALS,
AND LUNCHEDED WITH EA/K OFFICER. SCHEDULE WAS TIGHT, AS
KIM SPENT MOST OF HIS WASHINGTON TIME WITH THE IBRD.

2. MORNING MEETING AT USDA CHAIRED BY ASSISTANT GSM
FRED WELZ, AND ATTENDED BY ACTING GSM GEORGE SHANKLIN,
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JIM BULLION AND A PHALANX OF USDA EXPERTS. KIM WAS
HIGHLY ARTICULATE IN PRESENTING ROKG POSITION, EMPHA-
SIZING: (A) ROK PUBLIC CONCERN OVER SECURITY OF FOOD
SUPPLY OVER THE LONG-TERM; AND (B) THE IMMEDIATE IMPORTANCE
OF A CCC-TO-ROKG ARRANGEMENT TO ALLEVIATE THE EFFECT OF
BUDGET DEFICIT DUE TO SHORTFALL IN PL 480 PLANNED FOR THIS
YEAR. WELZ STATED STRONGLY THAT KOREAN CONCERN THAT ROK

INTERESTS WOULD BE LOST IN THE SHEER MAGNITUDE OF AMERICA'S GLOBAL MARKET WAS UNFOUNDED, AND INDEED THE USG AND AMERICAN AGRICULTURAL SUPPLIERS CONSIDERED KOREA ONE OF THE MOST IMPORTANT FOREIGN MARKETS. HE EXPRESSED OUR APPRECIATION AT KOREA'S LOYALTY AS A CUSTOMER, AND REITERATED OUR STRONG INTEREST IN PRESERVING AND STRENGTHENING THE MAJOR SUPPLIER/MAJOR CUSTOMER RELATIONSHIP.

3. USDA OFFICIALS CLARIFIED PROBLEMS IN PROJECTING LEVELS AND AVAILABILITY OF PL 480 BEYOND THAT CURRENTLY PROGRAMMED, BUT REASSURED KIM THAT THE USG WAS PLANNING NO AUTOMATIC CUT-OFF AND WOULD GIVE KOREA EVERY CONSIDERATION (RECOGNIZING REGULATORY, SUPPLY, AND OTHER CONSTRAINTS). IT WAS THE CONSENSUS OF THE MEETING THAT ROK COULD NOT AT THIS TIME REALISTICALLY EXPECT FUTURE PL 480 LEVELS SIGNIFICANTLY HIGHER THAN PRESENT, AND THAT ANY POST-KENNEDY PL 480 WOULD UNDOUBTEDLY BE ON HIGHER TERMS.

4. ON LONG-TERM SUPPLY ASSURANCES, USDA OFFICIALS POINTED OUT THAT THE USG HAD ONLY ONE FORMAL SUPPLY AGREEMENT (OF THE TYPE KIM INDICATED WOULD BE MOST DESIRABLE FROM ROKG POINT OF VIEW) -- THAT WITH THE USSR, WHICH WAS DESIGNED TO MEET A UNIQUE PROBLEM. HOWEVER, KIM EXPRESSED BELIEF THAT PUBLIC ANNOUNCEMENTS ASSOCIATED WITH THE PROPOSED ANNUAL CONSULTATIONS ON SUPPLY WOULD LIMITED OFFICIAL USE

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MEET ROKG NEEDS. USDA OFFERED TO DISCUSS TIME, PLACE AND OTHER DETAILS OF SUCH CONSULTATIONS BETWEEN USG AND ROKG OFFICIALS, BUT DISCUSSION MOVED ON TO OTHER MATTERS BEFORE ANYTHING WAS SET. HOWEVER, KIM DID REAFFIRM ROKG'S NOVEMBER ESTIMATES OF KOREA'S NEEDS FOR CORN, WHEAT, SOY-BEANS AND COTTON OVER THE NEXT FIVE YEARS.

5. ON CCC CREDITS, USDA OFFICIALS INDICATED THAT IT WAS UNREALISTIC FOR ROKG TO EXPECT CCC TO FINANCE BALANCE OF AGRICULTURAL IMPORTS NOT COVERED BY PL 480 (ESTIMATED AT OVER \$900 MILLION NEXT YEAR), AND THAT IF FUTURE INCREASES ARE POSSIBLE, THEY WILL BE GRADUAL, AND CANNOT REPLACE PRESENT COMMERCIAL PURCHASES. USDA PROMISED TO HAVE ANSWER ON \$170 MILLION REQUEST WITHIN TWO WEEKS,

AND KIM APPEARED SATISFIED WITH THAT. USDA INDICATED THAT CCC-TO-ROKG ARRANGEMENT COULD BE IMPLEMENTED MERELY BY THE KOREAN EXCHANGE BANK OPENING THE L/C, WITH PRESENT BUYERS REMAINING THE CUSTOMERS OF RECORD.

6. USDA RESPONDED TO QUESTION REGARDING EFFECT OF VOLUNTARY ROKG TERMINATION OF PL 480 BY NOTING THAT CCC

CREDITS AND PL 480 ARE SEPARATE PROGRAMS, WITH DIFFERENT PURPOSES, AND THAT TERMINATION OF ONE WOULD HAVE NOT RPT NO EFFECT ON THE OTHER. IN OTHER WORDS, THE AMOUNTS

DELETED IN A TERMINATED PROGRAM COULD NOT BE EXPECTED TO BE PICKED UP IN THE REMAINING PROGRAM.

7. AT AFTERNOON MEETING IN STATE WITH JOHN FERCH, DIRECTOR, OFFICE OF FOOD POLICY AND PROGRAMS, KIM RECEIVED STRONG ASSURANCES THAT KOREA'S NEEDS ARE RECEIVING SERIOUS CONSIDERATION IN THE USG. FERCH EMPHASIZED THAT, WHILE WE COULD NOT ENTER INTO ANY FORMAL ARRANGEMENTS OVER THE LONG TERM, KOREA COULD REASONABLY EXPECT THAT CCC CREDITS WOULD CONTINUE TO BE AVAILABLE, LIMITED OFFICIAL USE

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AND THAT THE UNITED STATES WOULD CONTINUE TO BE A RELIABLE SUPPLIER TO KOREA, BARRING UNFORESEEN CIRCUMSTANCES. FERCH CONFIRMED KIM'S UNDERSTANDING (FROM USDA MEETING) THAT USG WAS NOT RPT NOT CONTEMPLATING AUTOMATIC CUT-OFF OF PL 480 ONCE KENNEDY COMMITMENT COMPLETED.

8. AT EA/K WRAP-UP SESSION, KIM WAS BRIEFED ON AID POSITION (SCHEDULED MEETING WITH AID OFFICIALS WAS UNAVOIDABLY CANCELLED AT LAST MINUTE) THAT WHILE AID COULD NOT JUSTIFY PL 480 ON ECONOMIC DEVELOPMENT GROUNDS, IT WOULD NOT OPPOSE FUTURE PROGRAMS JUSTIFIED ON MARKET DEVELOPMENT OR OTHER GROUNDS. KIM WAS CLEARLY IMPRESSED BY FACT THAT IN MEETINGS, USG OFFICIALS DISPLAYED CLEAR APPRECIATION OF KOREA'S PROBLEMS IN THESE AREAS, SPECIFIC KNOWLEDGE OF THE DETAILS OF THE CURRENT PROBLEMS, AND A SINCERE DESIRE TO RESOLVE OUTSTANDING ISSUES AS QUICKLY AS POSSIBLE. HE EXPRESSED HIS BELIEF THAT ONCE ROKG OFFICIALS IN SEOUL BECAME AWARE THAT WASHINGTON OFFICIALS WERE REALLY FOCUSING ON THESE ISSUES, ROKG CONCERN WOULD SUBSIDE SOMEWHAT AND URGENCY OF REQUESTS WOULD EASE. WE AGREED THIS WOULD BE HELPFUL. CHRISTOPHER

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